

STAT

ARTICLE APPEARED
ON PAGE 7NEW YORK DAILY NEWS
25 December 1986

Aide warned Casey

By HARRISON RAINIE

News Washington Bureau

WASHINGTON — A senior CIA official learned through his own sources that money was probably being diverted to the Contra rebels from the U.S. sale of arms to Iran and warned CIA Director William Casey in early October, congressional investigators disclosed yesterday.

The official, Charles Allen, a national intelligence officer, spelled out his findings in more detail in a memo to Casey several weeks later, the Daily News has learned.

But congressional investigators said the CIA director made only a perfunctory check of the facts and did not

disclose them to President Reagan or law enforcement authorities until after the IranCon scam was publicly revealed on Nov. 25.

The new disclosures are significant because they show that Casey, currently recovering from brain surgery, was alerted about the possible cash diversion even before he says he got his first warning on Oct. 7 from New York businessman Roy Furmark. In addition, it raises new questions about why the CIA chief did not alert appropriate authorities about a potentially serious legal problem.

Summer reports

Allen's suspicions were raised after getting intelli-

gence field reports about fresh supplies of weapons going to the Contras last summer and word that retired Air Force Gen. Richard Secord was involved in both the arms-for-hostages deals and the resupply efforts for the Contras.

The Daily News has already reported that cables intercepted by the supersecret National Security Agency were also available to top CIA officers and that they showed that not all the money in the U.S.-Iran transactions was being used to reimburse the Pentagon for weapons.

"Allen put two and two together and told Casey what he thought was going on, yet no bells went off for Casey and he barely followed

through," said one source.

After an Oct. 7 meeting with Furmark, Casey reportedly asked Allen to investigate. After several meetings with Furmark, Allen wrote a memo in mid-to-late October to the CIA chief spelling out the details of the deal and his even stronger suspicion that Iran arms money was going to the Contras.

Casey testified that he took the memo to national security adviser John Poindexter and waited in Poindexter's presence while he read the document. The CIA director said Poindexter assured him there was "nothing to worry about" and Casey apparently dropped the issue.

STAT